ANTHEM PROPERTIES



ANNUAL REPORT 1999

Corporate Profile

Anthem Properties Corp. is a TSE listed real estate company comprised of underlying core businesses in retail property investment, development and management, industrial property development, and real estate related merchant banking activities. It also holds an extensive portfolio of owned or co-owned office and multi-family properties, and is in the process of divesting itself of most of these properties.

Anthem's property portfolio as at December 31, 1999 consisted of: (a) 11 retail properties in British Columbia and Alberta with 979,249 square feet of rentable premises; (b) 14 office properties in British Columbia, Alberta, Ontario, Colorado, Arizona and Texas with 850,021 square feet of rentable premises; (c) seven multi-family residential properties with a total of 1,377 units in Denver, Phoenix and Houston; (d) a 26,136 square foot parcel of potential development land in downtown Toronto which is currently generating revenue as a parking lot; and (e) a 184,934 square foot office building in downtown Toronto which is under redevelopment. In addition, Anthem has a 50% interest in a joint venture engaged in the development of 120 new single family homes in Denver, Colorado.

Anthem also has economic and management interests in a further five office and retail properties in British Columbia and Arizona, 10 multi-family residential properties in Arizona, Texas, New Mexico, Louisiana and Georgia, a land development property in Colorado and a 23 acre industrial land development in Burnaby, BC. These properties are owned by limited partnerships, affiliated companies or other investment entities originally established by Anthem in connection with the syndicated financing of such properties.

Business Strategy

In 1999, Anthem modified its strategy of balance sheet growth through acquisition, combination, consolidation and successive equity raises, to one of disposing of mature assets, providing liquidity to shareholder's by buying back shares at discounts to net asset value and refocusing operations in fewer markets with fewer asset classes.

ASSET DISPOSITIONS:

The global "liquidity crunch" which existed in the second half of 1998 (and was caused, in large part, by the Asian economic downturn) and which dampened both property sales activity and prices, reversed in 1999, and properties began trading at higher prices. In particular, multi-family property values in Denver and Phoenix showed significant improvement. Anthem therefore began the process of disposing of multi-family properties in these markets, selling one corporately owned property in 1999 and four in the early part of 2000.

At the same time a large number of the Company's office properties matured with occupancy rates at or nearing 100% and new construction in most markets limiting opportunities for future rental rate growth. Anthem also found that operating a diverse portfolio of office properties in a number of different markets was a strain on operational resources. As a result, as of May 2000, the Company has either listed or has under conditional contract for sale buildings comprising 75,000 square feet of corporately owned office space and anticipates listing and selling the balance of its properties (with the exception of two key British Columbia office properties) over the next 12 months.

SHARE BUYBACKS:

Public capital markets abandoned the real estate sector in 1998 and 1999 and the Company's share price fell. At the same time, many institutional investors decided to reduce or eliminate their real estate holdings. In order to provide liquidity to shareholders who wanted to dispose of their shares, Anthem completed two substantial issuer bids. The Company purchased and cancelled 2,325,157 shares at $5.00 per share in April, 1999 and purchased and cancelled a further 2,310,770 shares at $5.65 per share in February, 2000.

REORGANIZING OPERATIONS INTO NEW CORE BUSINESSES:

Beginning in the first quarter 2000, the Company reorganized into five underlying core businesses: the Anthem Retail Group, the Anthem Investment Division, Anthem Industrial Ltd., Anthem Bancorp and Frameworks Corporate Services.

The objectives of each core business are as follows:

Anthem Retail Group—To become a leading grocery store anchored shopping centre owner, operator and developer in western Canada, to re-tool existing shopping centre assets, to selectively invest in other shopping centre opportunities created by the growing supply of dysfunctional retail properties in western Canada, and to develop new retail centres on a limited basis.

Anthem Investment Division—To own and manage the existing corporate and syndicated multi-family and office properties, to sell all but a few key existing properties by the middle of 2001, reallocating personnel to other divisions as the portfolio shrinks, and to consider acquiring new properties on a selective basis.

Anthem Industrial Ltd.—To pursue unique industrial land development projects, within southwestern British Columbia.

Anthem Bancorp—To invest in real estate projects managed by other developers on a high interest rate loan or joint venture basis, and to provide and arrange for corporate and project specific financings for Anthem's other divisions.

Frameworks Corporate Services—To provide back office services to Anthem's other core businesses and to third parties on a fee for service basis.

1999 FINANCIAL HIGHLIGHTS

For the years ended December 31, 1999 and 1998
(in dollars, except number of properties and shares outstanding)

	1999	1998
Rental Revenues	41,618,000	27,727,000
Property and Asset Management Fees	3,173,000	3,388,000
Cash Flow From Operations	8,683,000	7,301,000
Cash Flow Per Share	1.17	0.98
Net Income	4,568,000	2,967,000
Net Income Per Share	0.62	0.40
Properties	278,869,000	275,799,000
Number of Properties	35	35
Shareholders' Equity (as at year end)	61,528,000	72,528,000
Shares Outstanding (as at year end)	6,322,443	9,000,000
Weighted Average Shares Outstanding	7,415,615	7,436,986

1999 IN SUMMARY

PROPERTY ACTIVITY

- Purchased a 186,000 square foot retail property in Western Canada for $12.7 million.
- Sold a 99 unit multi-family property in Denver, Colorado for a gain of $1.2 million.

LEASING ACTIVITY

Negotiated:

- 132,128 sq. ft. in new office leases
- 144,446 sq. ft. in renewed office leases
- 47,515 sq. ft. in new retail leases
- 25,885 sq. ft. in renewed retail leases

OCCUPANCY

- Retail: 96%
- Office: 96% (excluding property under development)
- Multi-family: 97%

SYNDICATIONS

- Sold seven syndicated properties generating disposition fee revenue of $883,000 and triggering Anthem's partnership carried interest of $918,000.
- Syndicated a 23 acre industrial land development project.

COMMON SHARE PURCHASES

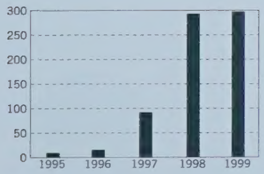
Normal course issuer bid—February 12, 1999—December 31, 1999

- purchased 352,400 common shares at an average price of $4.78 per share.

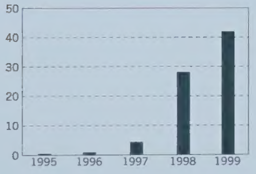
Substantial issuer bid—April 28, 1999

- purchased 2,325,157 common shares at $5.00 per share.

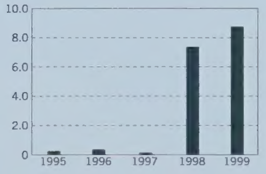
TOTAL ASSETS
($ millions)



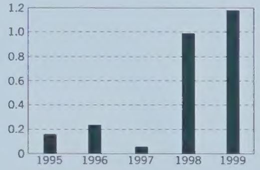
RENTAL REVENUES
($ millions)



CASH FLOW
($ millions)



CASH FLOW PER SHARE
($)



CORPORATE PORTFOLIO

RETAIL GROUP

Property	Location	% Ownership	Leasable Area (sq. ft.)	Occupancy (Dec 99)	Major Tenants
Newton Town Centre	Vancouver	100%	97,895	97%	Safeway, The Bank of Nova Scotia, Rogers Video, Raja Theatres
Market Square	Victoria	100%	91,464	85%	BCBC, Tommy Bahamas Grill, Ocean River Sports, Sweetwaters
Sunnycrest Mall	Gibsons	100%	77,368	100%	Super Valu, Royal Bank, CIBC, Pharmasave, BC Liquor Store, Sussex Realty
College Heights Plaza	Prince George	100%	76,480	99%	Overwaitea, SAAN, BC Liquor Store, Petro Canada, TD Bank
Coach House Square	100 Mile House	100%	63,369	96%	Overwaitea, SAAN, Williams Lake Credit Union, A&W
Northport Plaza	Port Alberni	100%	45,409	100%	Buy Low Foods, BC Liquor Store, Royal Bank
Dollarton Village	Vancouver	41%	14,822	85%	Super Valu, BC Liquor Store, Royal Bank, Starbucks
Parks West Mall	Hinton	100%	137,817	96%	Wal-Mart, Safeway, Ricki's, Bootlegger, Reitmans, Bata
Heritage Hill Plaza	Calgary	100%	165,794	100%	Winners Apparel, House of Tools, Russell Sporting Goods, Work World, XS Cargo
Delta Shoppers Mall	Delta	100%	186,655	95%	Extra Foods, Zellers Select, Toronto Dominion
Coach Hill Plaza	Calgary	100%	22,176	100%	7-11, Dance Spectrum, Schooner's
			979,249	96%	

INVESTMENT DIVISION

OFFICE

Property	Location	% Ownership	Leasable Area (Sq. ft.)	Occupancy (Dec 98)	Major Tenants
611 Alexander	Vancouver	50%	173,155	100%	William Switzer, West Coast Apparel, Aritzia, Tritex Fabrics, Simon Fraser University
1333 West Georgia	Vancouver	100%	136,079	100%	Westcoast Energy
Mayfield Square I	Edmonton	100%	41,725	68%	Jayman Homes, Creditel Canada, First National Properties
Centurion Plaza	Edmonton	100%	38,574	87%	Ford Credit Canada, Foster Park Baskett Insur., Alberta New Home Warranty Program
Mayland	Calgary	100%	55,040	100%	Altrom Canada Corp., Trispec Communications
415 Yonge (1)	Toronto	100%	184,934	55%	Collectcorp Inc., Ryerson Polytechnical Institute, Loomis Armoured Car
3310 South Service Rd.	Toronto	100%	74,885	98%	Cango Gas, Kardon United Corp., Abel Computers, EC Webworks
3385 Harvestor	Toronto	100%	35,693	97%	KPM Industries, South Western Group
Champa Center	Denver	100%	57,324	100%	U.S. Govn't General Services Administration, McGuire Research, Payless Shoe Source
North Bank Office Building	Phoenix	100%	31,286	81%	Republic Indemnity, Dick & Fritsche Design
16th Place	Phoenix	100%	25,147	80%	Health Source Corp, Ford Schools, Zimmer Baker Associates
727 Bethany	Phoenix	100%	24,666	96%	Evans Kuhn & Associates, Dental Associates
42nd Place	Phoenix	100%	16,145	100%	Arizona Kidney Foundation, Mazza Spero & Hougham
Augusta	Houston	100%	75,274	96%	Andrews Group International, KRJ Mgmt, Aimco, Ken R. Harry Assoc.
Woodway	Houston	100%	65,028	94%	McGuyer Homebuilders, Temple-Inland Mortgage, Perot Systems
			1,034,955	88%	

MULTI-FAMILY

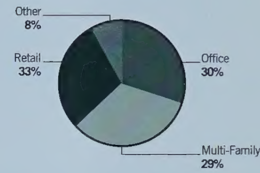
Property	Location	% Ownership	Leasable Area (Sq. ft.)	Occupancy (Dec 98)	Units	Description
Oak Ridge Apts. (2)	Denver	100%	392,930	98%	472	24 two and three-storey buildings
Creekside Meadows (2)	Denver	100%	149,749	99%	165	10 two and three-storey buildings
Peakview Pointe Apts. (2)	Denver	100%	69,456	99%	73	9 two-storey apartment buildings
Dunlap Square Apts.	Phoenix	100%	148,412	94%	192	14 two-storey apartment buildings
Willowtree Apts. (2)	Phoenix	100%	171,350	95%	181	6 two and one-half storey buildings and 3 two-storey apt. buildings
Spring Lake Apts.	Houston	100%	143,936	96%	208	13 two-storey garden-style apartment buildings
Spring Lake Townhomes	Houston	100%	94,070	96%	86	8 two-storey garden-style apartment buildings
			1,169,363	97%	1,377	

OTHER

Property	Location	% Ownership	Leasable Area (Sq. ft.)	Occupancy (Dec 98)	Description
75 The Esplanade	Toronto	100%	n/a	n/a	26,136 sq. ft. parcel of land that is currently generating revenue as a parking lot
Anthem Ashcroft	Denver	50%	n/a	n/a	120 semi-custom homes in the Forest Park subdivision at Castle Pines North

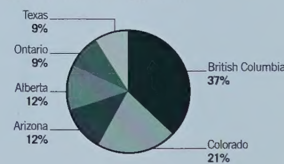
(1) Property Under Development (2) Properties sold subsequent to year end.

PORTFOLIO BY PROPERTY TYPE
(based on Dec. 31/99 Book Value)



PORTFOLIO BY COUNTRY
(based on Dec. 31/99 Book Value)

PORTFOLIO BY REGION
(based on Dec. 31/99 Book Value)



SYNDICATED PORTFOLIO

OFFICE

Property	Location	Leasable Area (Sq.ft.)
Lincoln Center	Phoenix, AZ	88,253
Paradise Medical and Corporate Plaza	Phoenix, AZ	59,844
Scottsdale Executive Villas	Phoenix, AZ	155,762
Queen's Court	Vancouver, BC	79,722
		383,581

RETAIL

Property	Location	Leasable Area (Sq.ft.)
Waneta Plaza	Trail, BC	199,000
		199,000

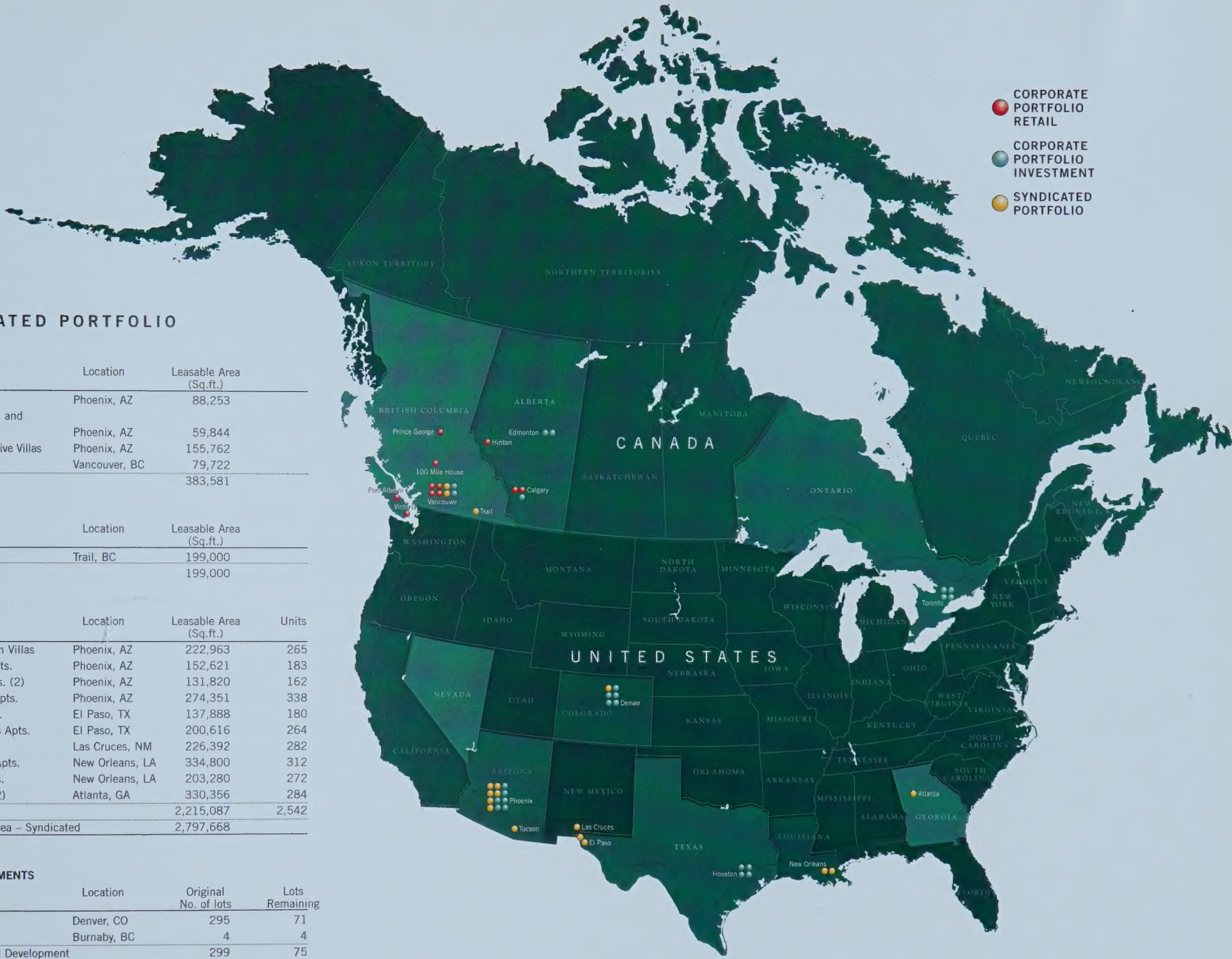
MULTI-FAMILY

Property	Location	Leasable Area (Sq.ft.)	Units
Shadow Mountain Villas	Phoenix, AZ	222,963	265
Villa Marbella Apts.	Phoenix, AZ	152,621	183
Tatum Place Apts. (2)	Phoenix, AZ	131,820	162
Desert Shadow Apts.	Phoenix, AZ	274,351	338
Spring Park Apts.	El Paso, TX	137,888	180
Whispering Pines Apts.	El Paso, TX	200,616	264
Park Place Apts.	Las Cruces, NM	226,392	282
Chenault Creek Apts.	New Orleans, LA	334,800	312
Park du Lac Apts.	New Orleans, LA	203,280	272
Saratoga Apts. (2)	Atlanta, GA	330,356	284
		2,215,087	2,542
Total Leasable Area – Syndicated		2,797,668	

LAND DEVELOPMENTS

Property	Location	Original No. of lots	Lots Remaining
Castle Pines	Denver, CO	295	71
5600 Thorne	Burnaby, BC	4	4
Total Lots – Land Development		299	75

(2) Properties sold subsequent to year end.



Shareholder's Report

Our annual report shows the results of our second year as a public company and more importantly, describes the evolution of our future direction. The increase in cash flow per share of approximately 20% over 1998 is consistent with our projections and is attributable to our operational performance and to strategic initiatives such as our substantial issuer bid.

Operationally, we remain on track. Net operating income, leasing activity and occupancy levels are consistent with projections for the year. Net operating income increased by $8.0 million over 1998, largely the result of full year of operation from properties acquired during in 1998. Similarly, leasing activity increased three-fold, with over 350,000 square feet of new and renewed office leases negotiated in 1999 (as compared to 115,000 in 1998). At the same time occupancy remained steady at 93% (94% in 1998), including properties under development.

Strategically, we once again adapted with the times. The stock market was soft for real estate companies in late 1998 and this condition continued into 1999. At the same time, real estate property values continued to rise as global liquidity issues diminished and real estate markets continued to improve. What appeared to be an obstacle to the Company's 1998 growth strategy (a low share price and institutional investors who required liquidity) quickly turned into an opportunity to add shareholder value.

In 1999, we modified our strategy of balance sheet growth through acquisition, combination, consolidation and successive equity raises, to one of disposing of mature assets, providing liquidity to shareholder's by buying back shares at discounts to net asset value and refocusing operations in fewer markets with fewer asset classes.

ASSET DISPOSITIONS

Beginning in early 1999, we began the process of reviewing our multi-family properties to determine which properties should be listed and sold. This resulted in 1999 sales of one corporately owned property and six syndicated properties which generated disposition fees and carried interest revenue of $1.8 million. In the first quarter of 2000, we sold a further four corporately held multi-family properties in Denver and Phoenix. Also in the first quarter of 2000, we added to our divestiture strategy by deciding to liquidate, upon completion of lease up, the majority of our office assets.

SHARE BUYBACKS

Concurrently with our asset disposition program, we embarked on a program of repurchasing our own shares at a significant discount to net asset value. Our intent was to eliminate a surplus of our shares in the market, providing liquidity to shareholders who required it, and to increase our underlying net asset value per share.

We completed substantial issuer bids in 1999 and early 2000. We purchased and cancelled 2,325,157 shares at $5.00 per share in April 1999 and a further 2,310,770 shares at $5.65 per share in February, 2000. Both transactions were highly accretive to shareholders, with each transaction contributing an approximate 25% to net asset value per share and 15% to cash flow per share.

The first substantial issuer bid was financed with a bridge loan. This loan was subsequently repaid with the proceeds of our multi-family sales in mid 1999 and early 2000. We financed the second share buy back with

a combination of corporate cash and a bridge loan. This loan has been partially repaid with some of the net sales proceeds from the sale of a multi-family property in Phoenix in March, 2000 and will be fully repaid from the proceeds from sale of some of our multi-family and office properties later this year.

2000 AND BEYOND

Our consolidation strategy in 1999 has already started the process of reshaping our operational focus in 2000. In the first quarter of 2000, the Company reorganized into five underlying core businesses: the Anthem Retail Group, the Anthem Investment Division, Anthem Industrial Ltd., Anthem Bancorp and Frameworks Corporate Services. Each core business has its own dedicated team with its own specific goals and objectives.

We will expand our Western Canadian retail focus through the Anthem Retail Group, with the objective of becoming a leader in shopping center development and management. While the initial focus will be on maintaining the value of our existing portfolio, we also plan to add to our portfolio by taking advantage of the growing supply of dysfunctional retail properties in Western Canada, capitalizing on our growing tenant relationships, and undertaking limited new development.

We will continue to sell mature multi-family and office assets in the Anthem Investment Division and will reallocate capital and personnel accordingly.

We will continue our successful entry into land development projects in Southwestern, BC through Anthem Industrial Ltd. identifying unique value added opportunities as they arise.

We will expand our merchant banking capability within Anthem to take advantage of unique highly profitable financing opportunities within the real estate sector, while at the same time building on our existing syndication capability.

And we are revitalizing our Frameworks Corporate Services group, instituting a profit center culture on what is normally a cost center world.

FINAL NOTE

Anthem is doing well. We have reacted decisively to capital market anomalies and have done so to the benefit of all shareholders. We have evolved our strategies within both the real estate market and the capital markets. We will continue to be nimble.

There continues to be a significant disconnection between our fundamental value and our share value. At some point in the future the two values should approach each other. In the meantime, we will nurture our existing assets and pursue higher return value added opportunities only.

Anthem has a strong entrepreneurial management team with a willingness and ability to adapt to change. We are well positioned for the years ahead.

Eric H. Carlson, C.A.
President and Chief Executive Officer

June 30, 2000

Dollarton Village, Vancouver, BC

The Anthem Retail Group

Anthem's retail property portfolio consists primarily of grocery store anchored, neighbor-hood retail centers in BC and Alberta.

The portfolio is made up of 10 properties with a total net rentable area of 979,249 square feet.

1999 was a productive year for the Retail Group. We worked hard to maintain the overall occupancy within the existing portfolio and to maintain property income. With the changes we are now implementing, 2000 and the years beyond, will be exciting and rewarding.

In the last quarter of 1999, we began to explore new avenues to maximize the performance of the 12 owned or managed shopping centers located in BC and Alberta. The result has been to reorganize the management team responsible for the retail group to ensure that we are well placed to exploit the continuing evolution in the retail sector.

A number of large real estate companies and institutions within Canada have begun to move slowly, but decidedly, towards positioning their portfolios toward office and industrial product. We feel that this will create a number of opportunities to acquire attractive retail assets and foster ever-stronger relationships with key anchor tenants. Relationships with key anchor tenants are the foundation of our retail business.

We have developed a skilled team of people knowledgeable not only in the management of retail assets, but also capable of adding value through development and re-development. We are evolving into a fully integrated, 'one stop' retail development and management

Newton Town Centre, Vancouver, BC

Sunnycrest Mall, Gibsons, BC

College Heights Plaza, Prince Geo

ANTHEM'S CORPORATELY-OWNED RETAIL PORTFOLIO

REGION	NUMBER OF PROPERTIES	NET RENTABLE AREA (SQ. FT.)	PERCENTAGE OF PORTFOLIO (BY SQ. FT.)	OCCUPANCY DEC 31, 1999
BC	8	653,462	67%	95%
Alberta	3	325,787	33%	98%
Total	11	979,249	—	96%

RETAIL PORTFOLIO BY REGION
(Book Value)

RETAIL PORTFOLIO BY REGION
(Square Feet)

company fully capable of exploiting key tenant relationships. Our business is becoming increasingly specialized. Our vehicle to growth will be the careful management of the assets we currently own, together with the strategic acquisition and development of new projects.

In addition to the 1,000,000 square feet of food anchored retail properties presently owned, we have identified three new development projects in BC for the fiscal year 2000 and 2001. These projects—two of which are located in the Lower Mainland of BC and the third on Vancouver Island—represent a further 600,000 square feet of properties. Development of these centres has the potential to provide higher returns on our equity than through the acquisition of mature retail centres.

Anthem acquired one retail property in 1999, a 186,000 sq. ft. shopping center in Delta, BC for $12.5 million. The property is well located on a busy arterial route. The acquisition was financed with a small amount of cash, the assumption of the existing first mortgage on the property and the issuance of Series 1 Preferred Shares.

Occupancy in the portfolio remains steady at 96%. This is in large part due to a concerted leasing effort in 1999 to maintain tenancies in what would otherwise be a difficult retail market.

Since the year end, we have added a chief operating officer, Vice President of leasing, and Vice President of development to our retail management team. These individuals have brought with them extensive experience in the development and re-development of retail centres and valuable tenant contacts which will allow us to add value to our existing retail portfolio and to undertake new retail developments. We are looking forward to building on this talent and taking advantage of the opportunities which exist in order to grow our income and enhance shareholder value.

ouse Square, 100 Mile House, BC

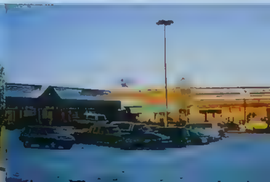
Northport Plaza, Port Alberni, BC

Delta Shoppers Mall, Delta, BC

Parks West Mall, Hinton, Alberta

Heritage Hill Plaza, Calgary, Alberta

Coach Hill Plaza, Calgary, Alberta



1333 West Georgia, Vancouver, BC

Anthem Investment Division

Anthem's Investment Division is comprised of mature assets, the bulk of which are multi-family and office.

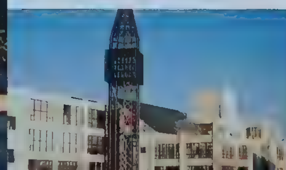
Anthem's Investment Division is comprised of mature assets, the bulk of which are multi-family and office. In most of the markets where our properties are located, there is new construction which has served to limit rental rate growth. As a result, returns have flattened and are at levels lower than Anthem's current return requirements. Therefore, Anthem has decided to sell the majority of the properties in the division and will only consider acquiring new properties on a selective basis.

As of December 31, 1999, the Investment Division had seven multi-family properties with 1,377 units, 15 office buildings with 1.0 million square feet of rentable area, and one surface parking lot. During 1999, one multi-family property was sold. Since the beginning of 2000, four multi-family properties have been sold and another property is listed for sale. It is anticipated that all but two multi-family properties comprising 300 units will be sold by year end 2000.

One office property is currently under contract for sale and another will be listed for sale shortly. The surface parking lot has also been listed for sale. With the exception of the Westcoast Energy Building and 611 Alexander, all of the office buildings are targeted to be sold by the middle 2001, market conditions permitting. As this Division shrinks, personnel will be reallocated within the Anthem Group.

The Division also has an ownership interest in and manages a number of syndicated properties. As of

611 Alexander, Vancouver, BC



415 Yonge St., Toronto, Ontario

3310 South Service Rd., Toronto, O

ANTHEM'S CORPORATELY-OWNED OFFICE PORTFOLIO

CITY	NUMBER OF PROPERTIES	NET RENTABLE AREA (SQ. FT.)	PERCENTAGE OF PORTFOLIO (BY SQ. FT.)	OCCUPANCY DEC 31, 1999
Vancouver	2	309,000	30%	100%
Calgary	1	55,000	5%	94%
Edmonton	2	80,000	8%	77%
Toronto	3	297,000	29%	71%
Denver	1	57,000	6%	100%
Phoenix	4	97,000	9%	88%
Houston	2	140,000	13%	95%
Total	15	1,035,000	–	88%

ANTHEM'S CORPORATELY-OWNED MULTI-FAMILY PORTFOLIO

CITY	NUMBER OF PROPERTIES	NET RENTABLE AREA (SQ. FT.)	UNITS	PERCENTAGE OF PORTFOLIO (BY UNITS)	OCCUPANCY DEC 31, 1999
Denver	3	611,595	710	52%	98%
Phoenix	2	319,762	373	27%	95%
Houston	2	238,006	294	21%	96%
Total	7	1,169,363	1,377	—	97%

December 31, 1999, the syndicated portfolio consisted of 10 multi-family properties with 2,542 units and four office buildings with 384,000 square feet of rentable area. In 1999, three multi-family and two office properties were sold. Since the beginning of 2000, two syndicated multi-family properties have been sold and another has been listed for sale. In addition, one office building has been listed for sale.

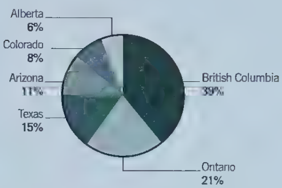
Occupancies throughout the investment portfolio continue to be strong. As of December 31, 1999, the average occupancy in the corporately owned multi-family properties was 97% and in the office buildings was 96% (excluding the one property under development).

During 1999 and to date in 2000, a number of significant leasing transactions were concluded. At 415 Yonge in downtown Toronto, the occupancy is now 90%, up from under 50% when the property was purchased in mid 1997. At 3310 South Service in suburban Toronto, one tenant occupied just under half of the building. The lease expired in late 1999 and all of the space has been successfully re-leased. The occupancy of the property is currently 98%.

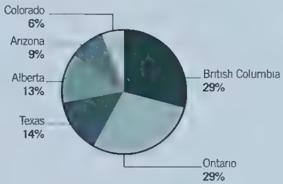
At Centurion Plaza in Edmonton occupancy in the building has been increased to 97% from 70% when the property was acquired in mid 1998, notwithstanding the generally soft office leasing market in Edmonton. At 611 Alexander in Vancouver an early lease renewal was concluded with the largest tenant which occupies 31% of the building.

In summary, the division continues to perform well. While property dispositions will be the divisions' main focus in 2000, Anthem will continue to pursue unique and profitable investment opportunities on a selective basis, taking advantage of the expertise we have developed in a number of markets and asset classes.

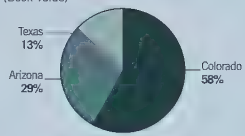
OFFICE PORTFOLIO BY REGION
(Book Value)



OFFICE PORTFOLIO BY REGION
(Square Feet)



MULTI-FAMILY PORTFOLIO BY REGION
(Book Value)



MULTI-FAMILY PORTFOLIO BY REGION
(Units)

'85 Harvester, Toronto, Ontario | *Champa Center, Denver, Colorado* | *North Bank Office Building, Phoenix, Arizona* | *Dunlap Square Apts., Phoenix, Arizona* | *1800 Augusta, Houston, Texas* | *7676 Woodway, Houston, Texas*

Lincoln Center, Phoenix, Arizona

Anthem Bancorp

Anthem Bancorp is responsible for operating the recently created merchant banking group, for undertaking new syndications, and for arranging corporate and project specific financings for Anthem's other divisions.

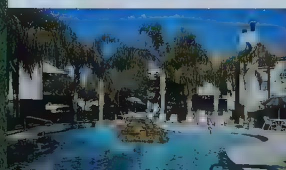
As mature assets in the Investment Division are liquidated in accordance with Anthem's disposition strategy, the after-tax proceeds will be used first to repay bridge loans, second to repay other corporate debt and third, in the long term, to fund merchant banking activities.

These activities will consist of making high yielding loans and forming joint ventures with smaller real estate investors and developers on a project specific basis.

To date, Anthem has made two merchant banking investments. The first was a $500,000 loan made in early 1999 to a shopping center developer for the development of a grocery anchored, neighborhood retail center. In addition to an attractive interest rate, Anthem's Retail Group obtained the right to perform the property management on the center and Anthem negotiated an option to buy a 50% interest in the center at an attractive yield. This loan has since been repaid.

The second merchant banking investment was a US$600,000 loan that was recently made to a homebuilder in Denver, Colorado secured by the builder's interest in an existing home building project. Pre-sales currently in place should be sufficient to repay the majority of the loan. Anthem will earn an attractive rate of interest and its investment is well secured.

Villa Marbella Apartments, Phoenix, Arizona



Park Place Apts., Las Cruces, New Mexico

Scottsdale Executive Villas, Phoenix,

ANTHEM'S SYNDICATED PORTFOLIO

TYPE	NUMBER OF PROPERTIES	NET RENTABLE AREA (SQ. FT.)	UNITS
Office	4	383,581	—
Retail	1	199,000	—
Multi-Family	10	2,215,087	2,542
Subdivisions	2	—	299
Total	17	2,797,668	2,841

The merchant banking group will continue to look for attractive, high yielding investment opportunities.

Prior to going public, Anthem raised $100,000,000 in private equity capital for real estate syndications. As the public capital markets continue to ignore the real estate sector, Anthem plans to increase its syndication activity.

During 1999, Anthem Bancorp raised $800,000 in equity capital for Anthem Industrial's 5600 Thorne project. Anthem is currently pursuing the acquisition of a number of properties that are suitable candidates for syndication.

…'s Court, New Westminster, BC

Waneta Plaza, Trail, BC

Spring Park Apartments, El Paso, Texas

Desert Shadows Apts., Tucson, Arizona

Anthem Industrial Ltd.

Anthem Industrial's objective is to acquire undeveloped industrial lands primarily in the Greater Vancouver area that have unique development issues.

Anthem Industrial Ltd. was formed in the spring of 1999, is a subsidiary of Anthem Properties Corp. and was formed in collaboration with a very experienced land developer. It was created to take advantage of the current strong industrial market and its mandate is to acquire, develop and sell industrial building lots in the greater Vancouver area.

The Vancouver industrial market had a year end vacancy rate of under 6% during each year of the 1990s. With the increasing presence of technology companies in the Vancouver market, suburban office campus style developments are becoming more in demand, and are being developed in areas which are zoned industrial, more so than in traditional urban office cores. This has the effect of reducing the amount of land available for pure industrial use, putting increased pressure on what is an already low vacancy rate, and creating opportunities for those in the industrial development arena.

Anthem Industrial's main focus will be on the acquisition of well located, undeveloped land which, due to unique development issues is underpriced relative to its surrounding market. The company will acquire property, rezone it where necessary, obtain the necessary development permits and develop finished lots which will be sold to end users or building developers.

In the past year, Anthem Industrial has acquired or has under contract approximately 130 acres in the greater Vancouver area consisting of 24 acres in Port Coquitlam and 110 acres in Burnaby. Development has begun on one of the Company's Burnaby projects and lots are currently being marketed for sale.

Frameworks Corporate Services

Frameworks Corporate Services' objective is to provide back office services to Anthem's other core businesses and to third parties on a fee for services basis.

Frameworks Corporate Services provides the internal support for Anthem's other core businesses. This support includes accounting, administration, management information systems and information technology, human resources and facilities management.

The motivation to create Frameworks was threefold. Firstly, by centralizing internal support functions within Frameworks, more efficiencies are developed, allowing Frameworks' clients to focus their efforts on what they do best, adding value. Secondly, by creating a separate core business, Frameworks can charge its clients on a fee for service basis. Expenses that traditionally accumulate within a general overhead pool are now charged directly to the users of those services. Finally, because Frameworks is generating fee revenue, internal support, which is normally viewed as a cost centre, can now take on profit center mindset, with the clients paying fair value for services.

Many changes have taken place, and are underway within Frameworks. The implementation of our new accounting and information system was completed during 1999. This not only created efficiencies in terms of more timely and accurate information, but it also provided for a higher quality of information, analysis and reporting.

Within the information technology domain, further enhancements have been made to our internal network server. In addition, many off-site properties and branches were brought on-line, enabling direct network access to our information and communication systems. Accounting and administration continued to adapt and evolve, with successes in 1999 including: enhanced on-line banking, reduced paper flow, and improved communication within the group as a whole.

Looking forward, Frameworks will continue to explore areas for operational improvement which will benefit its clients through reduced costs and better information flow, and itself through enhanced revenue generation capabilities. While services to date have been offered to internal clientele only, it is anticipated that future activities will include third party clients.

Financial Statements

AUDITORS' REPORT

To the Shareholders of Anthem Properties Corp.

We have audited the consolidated balance sheets of Anthem Properties Corp. as at December 31, 1999 and 1998 and the consolidated statements of income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act (British Columbia), we report that, in our opinion, these principles have been applied on a consistent basis.

Chartered Accountants
Vancouver, Canada
February 18, 2000

RESPONSIBILITY OF MANAGEMENT

The Annual Report, including the Consolidated Financial Statements, is the responsibility of management of the Corporation. Management's Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles as prescribed by The Canadian Institute of Chartered Accountants and conform substantially with the recommendations of the Canadian Institute of Public Real Estate Companies in all material respects. Financial information contained elsewhere in the Report is consistent with the information contained in the financial statements.

Management maintains a system of internal controls, that provides reasonable assurance that the assets of the Corporation, its subsidiaries and joint ventures are safeguarded. These controls also facilitate the preparation of relevant, timely and reliable financial information that reflects, where necessary, management's best estimates and judgments based on informed knowledge of the facts.

The Corporation's external auditors, KPMG LLP, have performed an independent audit of the Consolidated Financial Statements.

The audit committee of the board of directors of the Corporation has reviewed the Consolidated Financial Statements with management and the external auditors, KPMG LLP, and recommended their approval by the board of directors. The auditors have full access to the audit committee, with and without management being present.

Eric H. Carlson, C.A.
President and Chief Executive Officer

David Ferguson
Vice-President, Chief Financial Officer

CONSOLIDATED BALANCE SHEETS

Years ended December 31, 1999 and 1998

	1999	1998
ASSETS		
Properties:		
Revenue-producing (note 3)	$ 261,652,122	$ 261,487,342
Properties under development (note 4)	17,217,316	14,311,205
	278,869,438	275,798,547
Cash and cash equivalents (note 5)	9,915,679	6,977,938
Amounts and loans receivable (note 6)	2,487,424	3,788,426
Other assets (note 7)	3,773,360	4,522,043
	$ 295,045,901	$ 291,086,954
LIABILITIES AND SHAREHOLDERS' EQUITY		
Debt on real estate assets (note 8)	$ 196,065,241	$ 195,420,490
Amounts payable (note 9)	9,577,072	7,861,655
Loans and debentures payable (note 10)	25,489,230	13,736,310
Deferred income taxes	2,386,518	1,540,452
	233,518,061	218,558,907
Shareholders' equity (note 11)	61,527,840	72,528,047
Commitments (note 14)		
Subsequent events (note 17)		
	$ 295,045,901	$ 291,086,954

See accompanying notes to consolidated financial statements.

Eric Carlson, Chairman

Terry Holland, Director

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

Years ended December 31, 1999 and 1998

	1999	1998
Rental revenue and cost recoveries	$ 41,618,019	$ 27,727,282
Rental expenses:		
Property operating costs and taxes	15,942,217	10,036,376
Interest	14,211,973	9,264,169
Depreciation	2,233,782	1,249,987
	32,387,972	20,550,532
Rental income	9,230,047	7,176,750
Real estate sales:		
Sales	9,814,343	5,508,959
Cost of sales	8,523,408	4,827,195
	1,290,935	681,764
Fees and other income:		
Property and asset management fees	3,173,340	3,388,183
Interest and other	1,454,005	1,001,858
	4,627,345	4,390,041
	15,148,327	12,248,555
Operating expenses:		
General and administrative	2,716,611	2,830,897
Property and asset management	2,195,990	1,930,802
Amortization	814,944	224,812
Interest	2,345,527	889,256
Capital taxes	339,052	301,972
	8,412,124	6,177,739
Income from operations	6,736,203	6,070,816
Other income (expense):		
Gain (loss) from sale of revenue producing properties	1,235,976	(148,020)
Loss on early extinguishment of debt	–	(1,064,578)
Foreign exchange gain (loss)	(41,298)	508,593
Income before income taxes	7,930,881	5,366,811
Income taxes (note 12):		
Current	2,063,597	529,007
Deferred	1,298,550	1,870,576
	3,362,147	2,399,583
Net income	$ 4,568,734	$ 2,967,228
Retained earnings (deficit), beginning of year	$ 1,722,292	$ (1,244,936)
Retained earnings, end of year	$ 6,291,026	$ 1,722,292
Earnings per share (note 11(d)):		
Basic	$ 0.62	$ 0.40
Fully diluted	$ 0.60	$ 0.40

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 1999 and 1998

	1999	1998
Cash provided by (used in):		
Operations:		
Net income	$ 4,568,734	$ 2,967,228
Items not involving cash:		
Depreciation and amortization	3,048,726	1,474,799
Amortization of deferred financing costs	493,151	284,775
(Gain) loss on sale of revenue producing properties net of tax of $469,128 (1998 – $nil)	(766,848)	148,020
Loss on early extinguishment of debt	–	1,064,578
Foreign exchange (gain) loss	41,298	(508,593)
Deferred income taxes	1,298,550	1,870,576
Cash flow from operations, before changes in non-cash operating working capital	8,683,611	7,301,383
Changes in non-cash operating working capital (note 16)	919,375	3,359,348
	9,602,986	10,660,731
Financing:		
Proceeds from debt on real estate assets	12,154,328	117,694,647
Repayment of debt on real estate assets	(11,560,462)	(891,092)
Issuance of common shares, net of costs	–	32,775,753
Redemption of common shares	(13,630,287)	–
Proceeds from loans payable	12,644,898	–
Repayment of loans payable	(3,090,948)	(784,602)
Proceeds from debentures	1,316,500	9,328,310
Decrease (increase) in funds held in escrow	533,787	(2,296,471)
	(1,632,184)	155,826,545
Investments:		
Acquisitions of revenue-producing properties	(5,238,459)	(167,707,230)
Additions to properties under development	(3,168,597)	(12,074,719)
Proceeds from sale of revenue-producing properties	3,320,397	153,330
Increase in loans receivable	(600,000)	(123,940)
Decrease in loans receivable	769,099	850,000
Capital asset expenditures	(77,551)	(338,757)
Increase in accounts payable for properties under development	1,107,537	883,140
Increase in deferred costs	(611,700)	(2,954,298)
	(4,499,274)	(181,312,474)
Increase (decrease) in cash and cash equivalents	3,471,528	(14,825,198)
Cash and cash equivalents, beginning of year	4,681,467	$ 19,506,665
Cash and cash equivalents, end of year	$ 8,125,995	$ 4,681,467
Cash flow from operations per share		
Basic	$ 1.17	$ 0.98
Fully diluted	1.11	0.93

Supplementary information (note 16)

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 1999 and 1998

1. BUSINESS COMBINATION AND BASIS OF PRESENTATION:

Anthem Properties Corp. (the "Company") was incorporated on July 18, 1997 and is engaged in the ownership, development, and management of commercial and residential real estate properties.

2. SIGNIFICANT ACCOUNTING POLICIES:

(a) General:

The Company's accounting policies and its standards of financial disclosure are in accordance with the recommendations of the Canadian Institute of Chartered Accountants and the Canadian Institute of Public Real Estate Companies.

(b) Principles of consolidation:

The consolidated financial statements include:

(i) the accounts of the Company and its subsidiaries; and

(ii) the accounts of joint ventures to the extent of the Company's proportionate interest in each of the joint ventures' respective assets, liabilities, revenues and expenses.

(c) Properties:

(i) Revenue-producing properties:

Revenue-producing properties are stated at the lower of cost, net of accumulated depreciation, and net recoverable amount. Net recoverable amount is calculated using the estimated non-discounted future cash flows of the properties and may differ from the net realizable values of the properties.

Depreciation on buildings is determined using the sinking fund method whereby an increasing amount of depreciation, consisting of a fixed amount together with interest compounded at a rate of 5% per annum, is charged to income so as to fully amortize the buildings over their estimated useful lives of 40 years.

Tenant inducements are amortized on a straight-line basis over the terms related to the leases.

(ii) Properties under development:

Properties under development are recorded at the lower of cost and estimated net realizable value. Cost includes all expenditures incurred in connection with the acquisition, development and construction of these properties.

(d) Capitalization of costs:

The Company capitalizes all direct costs relating to the acquisition of properties. For revenue-producing properties under development, leasing costs, operating costs, certain indirect costs and property taxes net of any related revenues are capitalized until attaining the earlier of a break-even point in cash flow after debt servicing or the expiration of a reasonable period of time following substantial completion, subject to the time limitation determined at the approval of the project.

(e) Cash and cash equivalents:

Cash and cash equivalents consists of cash in hand, cash held at banks and term deposits maturing within ninety days when acquired.

(f) Investments:

Investments where the Company exercises significant influence are accounted for using the equity method.

Other investments are recorded at cost, less a provision for permanent decline in value, if necessary.

(g) Deferred costs:

Deferred property interests relate to the cost of acquiring disposition fee interests in properties from third parties. Deferred property interests are amortized to income in proportion to the recognition of income to which the interests relate.

Deferred financing costs are amortized on a straight-line basis over the terms of the related debt. Amortization of $493,151 (1998 - $284,775) is classified in interest expense.

(h) Foreign currency translation:

Foreign operations are all of a self-sustaining nature. Assets and liabilities of foreign operations are translated at the exchange rates in effect at the balance sheet date and revenues and expenses are translated at average exchange rates for the year. Related foreign currency translation adjustments are recorded as a separate component of shareholders' equity until realized.

(i) Use of estimates:

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from these estimates.

(j) Revenue recognition:

The Company has retained substantially all of the risks and benefits of ownership of its rental properties and therefore accounts for leases with its tenants as operating leases. Rental revenue includes percentage participating rents and recoveries of operating expenses.

Income from the sale of properties under development is recorded when the collection of the sale proceeds is reasonably assured and all other significant conditions are met.

Property management fees and asset management fees are recorded monthly as earned.

Disposition fees are recognized on the closing date of sales.

(k) Per share:

Basic per share amounts are calculated based on the weighted average number of shares outstanding. Fully diluted per share amounts adjust for the dilutive effect of outstanding options and are as if exchanged for common shares at the beginning of the period or the date of issuance, whichever is later.

Cash flow from operations per share is calculated based on cash flow from operations, before changes in non-cash operating working capital.

(l) Share option plans:

The Company's share option plans are described in note 11(d). No compensation expense is recognized when shares or share options are issued. Any consideration paid on exercise of options or purchase of shares is credited to share capital.

(m) Statement of cash flows:

In fiscal 1999, the Company adopted the Canadian Institute of Chartered Accountants Section 1540, Cash Flow Statements. Under the new standard, investing and financing activities that do not require the use of cash or cash equivalents are excluded from the cash flow statement and disclosed separately.

(n) Income taxes:

The Company follows the allocation method of accounting for income taxes. Under this method, recognition is given in the financial statements to the tax effects of timing differences between the recognition in income for financial statements and income tax purposes. Such timing differences result in deferred income tax balances. These timing differences arise primarily due to the timing of charges for depreciation for accounting and income tax purposes.

3. REVENUE-PRODUCING PROPERTIES:

	1999	1998
Land	$ 64,789,760	$ 58,311,094
Buildings	198,195,179	204,385,790
Tenant inducements	2,453,389	524,794
	265,438,328	263,221,678
Less accumulated depreciation	(3,786,206)	(1,734,336)
	$ 261,652,122	$261,487,342

A number of the properties acquired in 1998 were acquired from partnerships where a subsidiary of the Company acted as the general partner and had a carried interest in the respective property. On acquisition of the properties, the purchase price was reduced by the $1,376,916 relating to that portion of the purchase price which is attributable to the Company's original interest in the properties, net of related income taxes and the original cost of the carried interest.

4. PROPERTIES UNDER DEVELOPMENT:

During the year, costs capitalized to properties under development included the following:

	1999	1998
Interest	$ 592,172	$ 585,883
Administrative	131,712	214,013
Property taxes	1,093,041	907,551
Net rental income	(599,561)	(742,377)
	$ 1,217,364	$ 965,070

These costs form an integral part of the cost of developing properties and are accordingly treated in the same manner as other development costs.

Properties under development at December 31, 1999 and 1998 include a revenue-producing property under development.

Properties under development at December 31, 1999 also includes a 50% ownership interest in 46 lots (1998 - 34 lots) costing $2,233,534 (1998 - $1,695,072) which was purchased from a partnership for which a subsidiary of the Company acts as the general partner.

5. CASH AND CASH EQUIVALENTS:

	1999	1998
Unrestricted cash	$ 8,152,995	$ 4,681,467
Funds held in escrow	1,762,684	2,296,471
	$ 9,915,679	$ 6,977,938

6. AMOUNTS AND LOANS RECEIVABLE:

	1999	1998
Amounts receivable	$ 1,887,424	$ 2,958,406
Loans receivable	600,000	830,020
	$ 2,487,424	$ 3,788,426

Amounts receivable at December 31, 1999 includes $380,639 (1998 - $1,660,113) due from partnerships for which subsidiaries of the Company act as general partner and $62,432 (1998 - $25,680) due from companies related by virtue of directors in common.

7. OTHER ASSETS:

	1999	1998
Deferred property interests	$ 398,845	$ 687,604
Deferred financing costs	2,025,335	2,403,886
Prepaid expenses	876,052	584,712
General partnership investments	55,427	370,090
Capital assets less accumulated amortization of $391,411 (1998 - $265,377)	417,701	475,751
	$ 3,733,360	$ 4,522,043

The general partnership investments represent 100% ownership in various general partners, which entitle the general partners to a 20% to 30% carried interest in the profits of the partnership, subject to a 12% to 20% preferred return to the limited partners.

8. DEBT ON REAL ESTATE ASSETS:

Debt By Category:

	1999	1998
Mortgages payable on revenue-producing properties	$ 186,331,003	$ 188,179,060
Term debt or construction financing on properties under development	9,734,238	7,241,430
	$ 196,065,241	$ 195,420,490

Debt By Interest Obligation:

	1999	1998
Fixed rate at a weighted average year end interest rate of 7.53% (1998 – 7.33%)	$ 163,274,331	$ 173,778,006
Floating rate at a weighted average year end interest rate of 8.57% (1998 – 8.46%)	32,790,910	21,642,484
	$ 196,065,241	$ 195,420,490

All mortgages payable are secured by the revenue-producing properties.

Mortgages payable at December 31, 1999 include mortgages in the amount of $83,589,776 (1998 - $94,445,138) which are denominated in United States dollars of US $57,747,686 (1998 - US $61,595,994).

Mortgages payable in 1998 include $880,000 due to a company related by virtue of directors in common.

Term debt consists of a credit facility bearing interest at prime plus 1% on the Company's revenue-producing property under development which is secured by such property and is due June 30, 2000.

Construction financing includes several construction loans bearing interest variable with the U.S. prime lending rate and are secured by the Company's residential properties under development. The construction loans include the amount of $3,290,703 (1998 - $2,683,297) which are denominated in United States dollars of US $2,273,370 (1998 - US $1,750,014).

After giving effect to the repayment outlined in note 17(a), scheduled minimum principal repayments of debt on real estate assets are as follows:

2000	$	29,440,448
2001		28,380,582
2002		41,195,756
2003		14,626,350
2004		22,726,111
Thereafter		20,649,907
	$	157,019,154

9. AMOUNTS PAYABLE:

Amounts payable at December 31, 1999 include $153,964 (1998 - $153,964) due to companies related by virtue of directors in common and $nil (1998 - $60,000) due to shareholders.

10. LOANS AND DEBENTURES PAYABLE:

		1999		1998
Loans payable	$	14,844,420	$	4,408,000
Debentures payable		10,644,810		9,328,310
	$	25,489,230	$	13,736,310

The loans payable include:

(a) A loan of $4,408,000 (1998 - $4,408,000), which bears interest at 12.5% per annum, due to a company related by virtue of directors in common. The loan is due August 31, 2001.

(b) A non-revolving bank loan of $9,553,950 (1998 - $nil), which is secured by a general security agreement, certain mortgages and an assignment of rents from the Company. The loan bears interest at 12% per annum and is due May 31, 2000. This loan was repaid subsequent to year end (note 17(c)).

(c) 882,470 series 1 preferred shares in the amount of $882,470 (1998 - $nil), which entitle the holders to an annual cumulative cash dividend of $0.06 per share. After October 1, 2002, the holders are entitled to require the Company to pay the full redemption price being $1 per share, together with all accrued and unpaid dividends whether or not declared.

The debentures payable, which are unsecured and subordinated to all senior indebtedness of the Company, have terms of three to four years with principal repayments commencing on June 30, 2001. The debentures bear interest at 9% per annum and interest payments are made quarterly.

11. SHAREHOLDERS' EQUITY:

		1999		1998
Share capital	$	48,393,426	$	68,324,878
Contributed surplus		6,676,924		–
		55,070,350		68,324,878
Foreign currency translation adjustment		166,464		2,480,877
Retained earnings		6,291,026		1,722,292
	$	61,527,840	$	72,528,047

Share capital:

(a) Authorized:
250,000,000 common shares, without par value
250,000,000 preferred shares, with a par value of $1 (note 10)

(b) Issued and outstanding common shares:

		Number of shares		Amount
Balance, December 31, 1997:		1,500,000	$	1,666,000
Shares issued upon deemed exercise of special warrants	(i)	3,500,000	$	33,440,567
Shares issued for cash pursuant to the Company's initial public offering	(ii)	4,000,000		33,218,311
Balance, December 31, 1998:		9,000,000	$	68,324,878
Purchased and cancelled	(iii)	(2,677,557)		(19,931,452)
Balance, December 31, 1999:		6,322,443	$	48,393,426

(i) Special warrants:

Pursuant to an Offering Memorandum dated October 15, 1997, the Company issued 3,500,000 Special Warrants at $10 per Special Warrant for total proceeds of $35,000,000. Each Special Warrant entitled the holder to acquire one common share in the Company, at no additional cost, subject to certain conditions which were met with the issuance of a receipt for a final prospectus qualifying the distribution of common shares upon exercise of the Special Warrants effective March 5, 1998. The proceeds, net of selling commissions and other expenses, amounted to $33,440,567.

(ii) Initial public offering:

Pursuant to an underwriting agreement dated March 5, 1998 relating to an initial public offering, the Company offered 4,000,000 common shares at $9.00 per share for a total offering of $36,000,000. The proceeds, net of selling commissions and other expenses of the Initial Public Offering, amounted to $33,218,311.

(iii) On February 12, 1999, under a normal course issuer bid, the Company announced its intention to purchase for cancellation up to 450,000 common shares. To December 31, 1999, the Company purchased 352,400 common shares at an average price of $4.78 per share.

On April 28, 1999, under a substantial issuer bid, the Company announced its intention to purchase for cancellation up to 2,500,000 common shares at $5.00 per share. Under this program, the Company purchased 2,325,157 common shares.

After the consideration of costs on the transaction, the Company recorded $19,931,452 as a reduction of share capital and $6,676,924 as contributed surplus.

(c) Per share information:

Earnings and cash flow per share have been calculated using the weighted average number of common shares outstanding during the year of 7,415,615 (1998 - 7,436,986).

(d) Stock options:

As at December 31, 1999, the Company has a share option plan outstanding providing for the issuance of up to 900,000 options. The plan provides that options have a maximum term of eight years and are excercisable at a price not less than fair market value of the shares at the time of grant.

The following table summarizes the status of the share option plan:

	1999 share options outstanding	Weighted average price	1998 share options outstanding	Weighted average price
Outstanding January 1	672,000	$ 9.00	507,000	$ 9.00
Granted	–	–	180,000	9.00
Forfeited	(69,000)	9.00	(15,000)	9.00
Outstanding, December 31	603,000	$ 9.00	672,000	$ 9.00
Excercisable December 31	269,000		126,750	

The weighted average remaining life of the 603,000 options outstanding at December 31, 1999 was 6.2 years.

12. INCOME TAXES:

The expected tax expense differs from the actual tax expense as follows:

		1999		1998
Income before taxes	$	7,930,881	$	5,366,811
Weighted average U.S. and Canadian statutory rate of tax		41.97%		43.22%
Expected tax based on statutory rate		3,328,591		2,319,536
Large corporations tax		349,568		318,128
Permanent differences and other reconciling items		(316,012)		(238,081)
Income tax expense	$	3,362,147	$	2,399,583

13. FINANCIAL INSTRUMENTS:

(a) Fair value:

The Company has the following financial instruments: amounts receivable, loans receivable, amounts payable, loans payable, debentures payable, mortgages payable, construction financing, disposition fee agreements and general partner interests in various limited partnerships. The carrying values of amounts receivable, amounts payable, and construction financing approximate their fair values due to their short term nature. Loans receivable, loans payable, debentures payable and mortgages payable of a longer term nature are impacted by changes in market yields which can result in differences between the carrying value and the market value of such instruments. Due to the nature of the disposition fee agreements and the general partner interests in the various limited partnerships, the absence of a readily available secondary market for such financial instruments and the costs associated with obtaining an outside appraisal, the Company does not believe it is practicable to determine their fair value with sufficient reliability.

(b) Interest rate risk:

The terms of the Company's outstanding debt on real estate assets, loans and debentures repayable are described in notes 8 and 10. As certain of the Company's debt instruments bear interest at floating rates, fluctuations in these rates will impact the cost of financing incurred in the future.

(c) Credit risk:

Due to the nature of the Company's operations, it does not face any significant credit risk and there are no material concentrations of credit risk.

14. COMMITMENTS:

The estimated costs to complete the committed properties under development are $4,783,000. The Company has arranged development financing to fund these expenditures. As at December 31, 1999, the Company's unused financing related to properties under development aggregated $2,680,000 (1998 - $2,611,000).

On December 9, 1999, the Company entered into a contract to purchase an industrial property for $8,300,000. The purchase is subject to satisfaction of certain conditions precedent in favour of the purchaser.

15. CREDIT FACILITIES:

As at December 31, 1999, the Company had an unused demand operating line totaling $1,000,000 (1998 - $1,000,000). This demand operating line bears interest at prime plus 1.5% per annum.

16. SUPPLEMENTARY CASH FLOW INFORMATION:

The change in non-cash operating working capital balances consists of the following:

	1999	1998
Decrease (increase)		
in amounts receivable	$ 1,090,605	$ (337,487)
Decrease in other assets	295,869	18,294
Increase in prepaid expenses	(291,340)	(96,912)
Increase (decrease)		
in amounts payable	(175,759)	3,775,453
	$ 919,375	$ 3,359,348

Other supplemental information:

	1999	1998
Other supplemental information:		
Interest paid	$ 16,032,569	$ 9,135,386
Taxes paid	2,787,025	418,486
Non-cash investing and financing activities:		
Mortgages assumed by purchaser on sale of revenue-producing property	$ 5,911,403	–
Mortgages assumed by the Company on acquisition of revenue-producing properties	11,289,030	27,421,133
Preferred shares issued by the Company on acquisition of revenue-producing property	882,470	–

17. SUBSEQUENT EVENTS:

(a) In January, 2000, the Company completed the sales of three revenue-producing properties located in Denver, Colorado. The net proceeds received by the Company, after providing for the assumption of existing mortgages, in the amount of $39,046,087 by the purchaser, sales commissions, and other closing costs were $18,556,726 resulting in a gain of approximately $10,164,000.

(b) In January, 2000, the Company announced an issuer bid which allowed for the purchase of up to 2,750,000 common shares of the Company at a price of $5.65 per share before transaction costs. At the completion of the transaction, the Company had purchased and cancelled 2,310,770 common shares.

(c) Subsequent to December 31, 1999, the Company:

(i) repaid the non-revolving bank loan described in note 10(b);

(ii) borrowed an additional $15,037,060 by way of a demand non-revolving bank loan at the banker's acceptance rate plus 0.75% secured by funds held by the lender; and

(iii) borrowed an additional $8,865,000 by way of a non-revolving bank loan bearing interest at 12% per annum, due December 21, 2000 and secured by a general security agreement, certain mortgages and an assignment of the sale proceeds of certain revenue producing properties.

18. SEGMENTED INFORMATION:

	Canada		U.S.		Total	
	1999	1998	1999	1998	1999	1998
Assets						
Properties and other real estate investments						
Office	$ 50,808,008	$ 50,542,489	$ 33,789,013	$ 34,947,833	$ 84,597,021	$ 85,490,322
Retail	91,722,268	78,567,520	–	–	91,722,268	78,567,520
Multi-family	–	–	79,908,471	92,006,375	79,908,471	92,006,375
Other	17,767,750	15,430,067	4,873,928	4,304,263	22,641,678	19,734,330
	$ 160,298,026	$ 144,540,076	$ 118,571,412	$ 131,258,471	$ 278,869,438	$ 275,798,547
Unallocated corporate assets					16,176,463	15,288,407
					$ 295,045,901	$ 291,086,954
Capital expenditures for segment assets:						
Office	$ 733,029	$ 50,730,867	$ 1,137,292	$ 31,407,829	$ 1,870,321	$ 82,138,696
Retail	13,836,137	30,547,256	–	–	13,836,137	30,547,256
Multi-family	–	–	1,116,690	92,416,620	1,116,690	92,416,620
Other	2,336,445	9,951,202	9,196,201	7,910,194	11,532,646	17,861,396
	$ 16,905,611	$ 91,229,325	$ 11,450,183	$ 131,734,643	$ 28,355,794	$ 222,963,968
INCOME FROM OPERATIONS						
A. Rental Income						
Office						
Revenue	$ 6,925,329	$ 3,474,555	$ 6,203,656	$ 3,411,409	$ 13,128,985	$ 6,885,964
Property operating costs and taxes	1,929,857	1,053,129	3,575,952	1,678,588	5,505,809	2,731,717
Interest	2,311,827	1,187,631	1,958,611	786,005	4,270,438	1,973,636
Depreciation	515,045	210,480	479,839	149,093	994,884	359,573
	$ 2,168,600	$ 1,023,315	$ 189,254	$ 797,723	$ 2,357,854	$ 1,821,038
Retail						
Revenue	$ 12,698,517	$ 11,385,604	$ –	$ –	$ 12,698,517	$ 11,385,604
Property operating costs and taxes	4,225,154	3,652,000	–	–	4,225,154	3,652,000
Interest	4,474,726	4,011,057	–	–	4,474,726	4,011,057
Depreciation	799,681	683,916	–	–	799,681	683,916
	$ 3,198,956	$ 3,038,631	$	$ –	$ 3,198,956	$ 3,038,631

18. SEGMENTED INFORMATION (CONT.):

	Canada 1999	Canada 1998	U.S. 1999	U.S. 1998	Total 1999	Total 1998
Multi-family						
Revenue	$ –	$ –	$ 15,278,932	$ 8,961,310	$ 15,278,932	$ 8,961,310
Property operating costs and taxes	–	–	6,163,822	3,606,073	6,163,822	3,606,073
Interest	–	–	4,724,137	2,765,604	4,724,137	2,765,604
Depreciation	–	–	918,710	478,055	918,710	478,055
	$ –	$ –	$ 3,472,263	$ 2,111,578	$ 3,472,263	$ 2,111,578
Other						
Revenue	$ 511,585	$ 494,404	$ –	$ –	$ 511,585	$ 494,404
Property operating costs and taxes	47,432	46,586	–	–	47,432	46,586
Interest	249,521	229,097	–	–	249,521	229,097
Depreciation	13,658	13,218	–	–	13,658	13,218
	$ 200,974	$ 205,503	$ –	$ –	$ 200,974	$ 205,503
Total Rental Income	$ 5,568,530	$ 4,267,449	$ 3,661,517	$ 2,909,301	$ 9,230,047	$ 7,176,750
B. Development Income, net	$ –	$ –	$ 1,290,935	$ 681,764	$ 1,290,935	$ 681,764
C. Property and Asset management fees						
Revenue	$ 563,407	$ 477,907	$ 2,609,933	$ 2,910,276	$ 3,173,340	$ 3,388,183
Expenses	389,885	272,342	1,806,105	1,658,460	2,195,990	1,930,802
	173,522	205,565	803,828	1,251,816	977,350	1,457,381
D. Unallocated amounts						
Revenue					$ 1,454,005	$ 1,001,858
Expenses					(6,216,134)	(4,246,937)
					(4,762,129)	(3,245,079)
Income from operations					$ 6,736,203	$ 6,070,816

19. RELATED PARTY TRANSACTIONS:

The Company had the following transactions with related parties:

		1999		1998
Rental Expenses:				
Interest:				
Due to companies related by virtue of directors in common	$	42,581	$	59,875
Fees and Other Income:				
Property and asset management fees:				
Earned from partnerships for which subsidiaries of the Company act as general partner	$	2,615,435	$	2,936,688
Earned from companies related by virtue of directors in common		517,921		451,495
	$	3,133,356	$	3,388,183
Interest and Other:				
Earned from partnerships for which subsidiaries of the Company act as general partner	$	1,146,462	$	65,510
Operating Expenses:				
Interest:				
Due to companies related by virtue of directors in common	$	551,000	$	551,000

20. RECLASSIFICATION OF COMPARATIVE FIGURES:

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

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